

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6078**  
**BILL NUMBER: HB 1281**

**DATE PREPARED:** Dec 14, 1998  
**BILL AMENDED:**

**SUBJECT:** Tax credit for inventory tax payments.

**FISCAL ANALYST:** Diane Powers  
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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(41,900,000)	(88,700,000)
State Expenditures			
Net Increase (Decrease)		(41,900,000)	(88,700,000)

**Summary of Legislation:** This bill provides a credit against a taxpayer's state tax liability for property taxes paid on inventory. The credit is initially equal to 10% of property taxes paid on inventory, and the bill increases the credit percentage over ten years until the credit may be claimed for 100% of property taxes paid on inventory. (The introduced version of this bill was prepared by the Local Government Finance Study Commission.)

**Effective Date:** January 1, 1999 (retroactive).

**Explanation of State Expenditures:** The Department of Revenue will have additional administrative expenses related to the updating the tax forms and monitoring this tax credit.

**Explanation of State Revenues:** This bill creates a business inventory tax credit based on a certain percentage of property taxes paid on inventory. The applied percentages and corresponding tax years are identified below along with the estimated revenue loss for the respective fiscal years.

The credit may be taken against the taxpayer's liability under the corporate gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan association tax, insurance premium tax, and the financial institution tax. If the amount of the credit exceeds the taxpayer's liability, they may carry

forward the excess in subsequent years. A taxpayer is not entitled to a carryback or a refund of any unused credit. If a pass through entity does not have an income tax liability, the credit may be taken by the shareholder(s) or partner(s) in relation to their distributive income in which they are entitled from the pass through entity.

The tax credits would continue to grow in tax years 2009 and years after. Tax revenue from the various taxes noted above are deposited in the General Fund and the Property Tax Replacement Fund.

<b>Tax Year</b>	<b>% Credit</b>	<b>Estimated Inventory Tax Credit</b>	<b>FY Impact</b>
1999	10%	\$41,900,000	FY 2000
2000	20%	88,700,000	FY 2001
2001	30%	140,700,000	FY 2002
2002	40%	186,000,000	FY 2003
2003	50%	248,800,000	FY 2004
2004	60%	319,400,000	FY 2005
2005	70%	398,700,000	FY 2006
2006	80%	465,100,000	FY 2007
2007	90%	560,100,000	FY 2008
2008 & After	100%	666,100,000	FY 2009 & after

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Revenue, State Tax Board.

**Local Agencies Affected:**

**Information Sources:** Local Government Database.